

## Dawood Cotton Mills Limited

Annual Report 1999

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### Company Information

<b>Board of Directors</b>	Ahmed Dawood M. Hussain Dawood                      Chief Executive Nasim Shahzada Dawood (Khawaja Amanullah Alternate Director) A. Aziz Moon Haroon Mehanti  Yousuf A. Deshi
<b>Secretary &amp; G.M. (Finance)</b>	Yousuf A. Deshi
<b>Auditors</b>	Gangat & Company (Chartered Accountants)
<b>Bankers</b>	Habib Bank Limited
<b>Registered Office</b>	Dawood Centre, Karachi-75530
<b>Mills</b>	Landhi Industrial Area, Karachi-75120

### Notice of Meeting

Notice is hereby given that the 49th Annual General Meeting of the Shareholders of the Company will be held on Tuesday the 14th March, 2000, at 9:30 a.m. at the Registered Office of the Company at Dawood Centre, Moulvi Tamizuddin Khan Road, Karachi, to transact the following business after recitation from the Holy Quran.

#### ORDINARY BUSINESS:

1. To confirm the minutes of the Annual General Meeting held on 25th March 1999.
2. To receive and adopt the Audited Accounts for the year ended September, 30 1999 and reports of Directors and Auditors thereon.
3. To approve Dividend.

4. To appoint auditors for the year 1999-2000 and to fix their remuneration. The present auditors, M/s. Gangat & Company, Chartered Accountants retire, and being eligible, offer themselves for re-appointment.

5. To transact any other ordinary business with the permission of the Chairman.

**SPECIAL BUSINESS:**

6. To consider and, if thought fit, to pass with or without modification the following resolutions as a Special Resolution:

That the Articles No. 85 of the Articles of Association of the Company be and is hereby amended in the following manner, that is to say, by:

Deletion of the words... "but such sum shall in no case, exceed Rs. 500/-"

By order of the Board

Karachi' January 28,2000.

(YOUSUF A. DESHI)  
Director / Secretary

**NOTES:**

1. The Share transfer books of the Company will remain closed from 04th March 2000 to 14th March 2000. (both days inclusive).
2. Transfers received in order at the Registered Office of the Company at Dawood Centre, Moulvi Tamizuddin Khan Road, Karachi by March 3rd, 2000, will qualify for the payment of Dividend to the transferees.
3. A member entitled to attend and vote at the meeting may appoint another member as his/her/their proxy to attend and vote for him/her/them. Proxies in order to be effective must be received at the Registered office of the Company not less than 48 hours before the time of holding the meeting.
4. Members are requested to communicate to the Company of any change in their addresses.
5. Members are also informed that the Supreme Court of Pakistan in a recent judgment has held that deductions on account of zakat shall not be made from payments against dividends to the members of all recognized fiqahs on filing declarations as required under the Zakat Ordinance. Accordingly, you are requested to file a declaration on non judicial stamp paper of Rs. 20/= duly attested by Oath Commissioner before 14th March, 2000.

**STATEMENT OF MATERIAL FACT (IN RESPECT OF THE PROPOSED SPECIAL RESOLUTIONS) UNDER SECTION 160 (1) B OF THE COMPANIES ORDINANCE 1984.**

The Board is of the opinion that meeting fees reflect changing circumstances and requirements. Board meeting fees automatically affect the interest of Directors.

**Directors' Report**

Dear Shareholders  
Assalam-o-Alaikum

We are pleased to welcome the members at 49th Annual General Meeting and have pleasure in presenting the Annual Report together with Company's Audited Accounts and Auditors' Report for the year ended 30th September, 1999.

The cotton crop failure of 1998-99 season, crop estimate failure and unregulated export policy of cotton are factors mainly responsible for the crisis in textile sector. The imposition of Sales Tax

@ 16% and subsequent increase to 18% has added further burden on costs and the ensuing reduction in Sales resulted in the building-up of inventory. In these conditions continuing production would have only compounded the already difficult situation hence the management was compelled to close down plant in March, 1999 and decided to review the situation to re-start the production when favourable market condition permits.

After providing for Depreciation of Rs. 11,896,748/- and charging all administration, selling and financial expenses, the Company was able to reduce the operating loss to Rs.22,711,429/- as against a loss of Rs. 28,125,984/- in the previous year. However due to strict financial control the surplus funds were invested in shares and other financial instruments. During the year under review a sum of Rs. 26.72 crores were invested in shares on which Cash Dividend of Rs. 1.80 crores and =655,080= Bonus Shares were received the market value of which as of balance sheet date, is Rs. 5.38 crores. Management also disposed off some of the obsolete machinery on which the company has earned a profit of Rs. 73.58 lacs. After addition of dividend and other income your company's pretax profit stood at Rs. 53,646, 834/= with written back surplus of deferred tax of Rs. 86 lacs, after making a tax provision of the same amount for current year there was net profit of Rs. 53,646,834/= and adding therein unappropriated profit of Rs. 104,576,697/- brought forward from previous year a sum of Rs. 158,223,531/- is available for appropriation. The earning per share this year is Rs. 7.23.

The profits available for appropriation are as under:-

Profit before taxation	53,646,834
Provision for taxation	
Current	(8,600,000)
Deferred	8,600,000
	-----
Profit after taxation	53,646,834
Unappropriated profit brought forward	104,576,697
	-----
Total available for appropriation	158,223,531
	=====

The Directors recommend the appropriation of profit as under:-

Proposed Dividend @ Rs.6/= (60%) per share on 7,423,602 shares of Rs. 10/= each.	44,541,612
Balance carried over to next year.	113,681,919
	Rs.158,223,531

With regard to Auditors qualification, management is of opinion that no provision is required in this respect.

The present Board of Directors were elected by the Shareholders for three years at its last Annual General Meeting held on 25th March, 1999, in accordance with the provision of Companies Ordinance 1984. The Board elected Mr. M. Hussain Dawood as Chief Executive of the Company.

M/s. Gangat & Company, Chartered Accountants retire, and being eligible offer themselves for reappointment as auditors of the Company for the year 1999-2000.

On Behalf of the Board

Karachi - 28th January, 2000

M. HUSSAIN DAWOOD  
Chairman of the Meeting

### **Pattern of holdings of the shares held by the shareholders as at September 30, 1999**

NUMBER OF SHAREHOLDERS	TYPE OF SHAREHOLDINGS		TOTAL SHARES HELD	
633	1	TO	100	22,434
452	101	TO	500	101,927
105..	501	TO	1000	78,238
85	1001	TO	5000	173,810
9	5001	TO	10000	59,051
1	25001	TO	30000	25,415
1	30001	TO	35000	32,000
1	40001	TO	45000	40,387
1	65001	TO	70000	69,550
4	70001	TO	75000	292,409
1	80001	TO	85000	83,692
1	90001	TO	95000	93,078
1	135001	TO	140000	137,014
1	145001	TO	150000	150,000
1	245001	TO	250000	248,123
1	250001	TO	255000	252,500
1	265001	TO	270000	266,089
1	340001	TO	345000	342,587
1	350001	TO	355000	354,507
1	770001	TO	775000	774,446
1	1420001	TO	1425000	1,420,263
1	2405001	TO	2410000	2,406,082
-----			-----	
1304			7,423,602	
=====			=====	

CATEGORIES OF SHAREHOLDERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Individuals	1264	1,480,008	19.94%
Investment Companies	4	416	0.00%
Insurance Companies	5	480,336	6.47%
Joint Stock Companies	13	3,198,648	43.09%
Financial Institutions	10	1,839,313	24.78%
Modaraba Company	1	800	0.01%
Others (See Below)	7	424,081	5.71%
	-----	-----	-----
	1304	7,423,602	100.00%
	=====	=====	=====

OTHERS	NUMBER OF SHAREHOLDERS	SHARES HELD	PERCENTAGE
Trust (Charitable Organisations)	2	394,894	5.32%
Co-Operative Societies	2	3,481	0.05%
Administrator, Abandoned Properties Organisation	1	25,415	0.34%
Administrator General of Sindh	1	285	0.00%
Kukab Agencies (Pakistan)	1	6	0.00%
	-----	-----	-----
	7	424,081	5.71%
	=====	=====	=====

### Auditors' Report to the Members

We have audited the annexed Balance Sheet of DAWOOD COTTON MILLS LIMITED as at September 30, 1999 and the related Profit and Loss Account and Cash Flow Statements together with the notes forming part thereof, for the year then ended, and we state that:

Profit Participation Fund as required has not been provided in accounts.

Subject to the foregoing reservation we state that we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and after due verification thereof, we report that:-

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;

(b) in our opinion:

(i) the Balance Sheet and Profit and Loss Account together with the notes thereto have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

(ii) the expenditures incurred during the year were for purpose of the company's business;

(iii) the business conducted, investments made and the expenditures incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Profit and Loss Account and the Cash Flow Statement together with the notes forming part thereof, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at September 30, 1999 and of the profit and the cash flow for the year then ended; and

(d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 was deducted by the company and deposited in the Central Zakat Fund established under section 7 of the Ordinance.

#### **GANGAT & COMPANY**

Chartered Accountant

Karachi: January 28, 2000.

#### **Balance Sheet as at September 30, 1999**

	<i>Note No.</i>	<i>1998 Rupees</i>	<i>1999 Rupees</i>
<b>CAPITAL &amp; LIABILITIES</b>			
<b>SHARE CAPITAL</b>			
Authorised: 10,000,000 Ordinary Shares of Rs. 10/- each		100,000,000	100,000,000
Issued, Subscribed & Paid Up:	2	74,236,020	74,236,020
<b>RESERVES &amp; SURPLUS:</b>			
Revenue Reserves	3	142,000,000	142,000,000
Capital Reserve -- Share Premium	4	32,705,746	32,705,746
Unappropriated Profit		113,681,919	104,576,697
		288,387,665	279,282,443
<b>CAPITAL &amp; RESERVES</b>		362,623,685	353,518,463
<b>DEFERRED LIABILITIES</b>			
Gratuity	5	23,808,519	24,104,773
Deferred Taxation		26,350,000	34,950,000
		50,158,519	59,054,773

<b>CURRENT LIABILITIES AND PROVISION</b>			
Creditors, Accrued and Other Liabilities	6	89,448,086	108,063,737
Unclaimed Dividend		2,882,160	2,507,603
Proposed Dividend		44,541,612	29,694,408
		136,871,858	140,265,748
<b>CONTINGENT LIABILITIES AND COMMITMENTS</b>			
	7		
		-----	-----
		549,654,062	552,838,984
		=====	=====
<b>PROPERTY &amp; ASSETS</b>			
<b>FIXED ASSETS</b>			
Operating Assets	8	106,171,897	122,509,417
<b>LONG TERM INVESTMENTS</b>			
	9	9,681,394	9,681,394
<b>LONG TERM DEPOSITS</b>			
		1,430,622	1,430,622
<b>CURRENT ASSETS</b>			
Stores and Spares	10	4,098,114	4,066,390
Stock-in-trade	11	51,929,548	67,652,343
Trade Debtors	12	32,748,714	5,143,021
Loans, Advances, Deposits, Prepayments and Other Receivables (Unsecured)	13	1,369,828	3,723,219
Short Term Investments	14	275,085,835	7,890,000
		-----	-----
Cash and Bank Balances	15	67,138,110	330,742,578
		432,370,149	419,217,551
		-----	-----
		549,654,062	552,838,984
		=====	=====

The annexed notes form an integral part of this Balance Sheet.

Karachi: January, 28, 2000.

**M. HUSSAIN DAWOOD**  
Chief Executive

**Nasim Beg**  
Director

**Profit and Loss Accounts  
for the year ended September 30, 1999**

	<i>Note No.</i>	<i>1998 Rupees</i>	<i>1999 Rupees</i>
<b>PARTICULARS</b>			
Net Sales and Operating Revenue	16	77,147,394	73,687,340
Cost of Sales	17	(89,854,321)	(91,578,489)
		-----	-----
<b>GROSS LOSS</b>		(12,706,927)	(17,891,149)
<b>OPERATING EXPENSES</b>			
Administrative	18	9,508,359	9,717,718
Selling	19	367,769	388,603
Financial	20	128,374	128,514
		-----	-----
		(10,004,502)	(10,234,835)
		-----	-----
<b>OPERATING LOSS</b>		22,711,429	(28,125,984)

Non-Operating Income	21	58,244,845	95,382,444
Zakat		(33,250)	(100,000)
Profit on Sale of Fixed Assets	8.1	7,358,228	2,321,204
		-----	-----
PROFIT FOR THE YEAR		42,858,394	69,477,664
Liabilities written back (already taxed)		10,788,440	3,659,901
Other Charges	22	--	(4,287,823)
		-----	-----
PROFIT BEFORE TAX		53,646,834	68,849,742
		=====	=====
PROFIT BEFORE TAX		53,646,834	68,849,742
TAXATION			
Current		(8,600,000)	(15,000,000)
Deferred		8,600,000	--
		-----	-----
PROFIT AFTER TAX		53,646,834	53,849,742
Unappropriated Profit brought forward		104,576,697	80,421,363
		-----	-----
AMOUNT AVAILABLE FOR APPROPRIATION		158,223,531	134,271,105
		=====	=====
APPROPRIATION:			
Proposed Dividend		44,541,612	29,694,408
Balance Carried Forward		113,681,919	104,576,697
		-----	-----
		158,223,531	134,271,105
		=====	=====
Earnings per share	27	7.23	7.25
		=====	=====

The annexed notes form an integral part of this Profit and Loss Account.

Karachi: January, 28, 2000.

**M. HUSSAIN DAWOOD**  
Chief Executive

**Nasim Beg**  
Director

### Cash Flow Statement for the Year ended September 30, 1999

	For the Year Ended 30-09-1999	For the Year Ended 30-09-1998
<b>PARTICULARS</b>		
<b>Cash Flow From Operating Activities</b>		
Profit before taxation	53,646,834	6,884,974.20
<b>Adjustments for:</b>		
Depreciation	11,896,748	13,755,939
Profit on sale of fixed assets	(7,358,228)	(2,321,204)
Provision for gratuity	--	81,942
Income from investments	(58,123,595)	(95,311,938)
Sundry sales and receipts	(121,250)	(70,506)
Financial charges	128,374	128,514
	-----	-----
Operating Profit/(Loss) before working capital changes	68,883	(14,887,511)
Net (decrease) in working capital	(27,465,223)	(51,660,801)

Cash used in operations	(27,396,340)	(66,548,312)
<b>Payments for:</b>		
Gratuity	(296,254)	(1,841,803)
Tax	(9,311,659)	(17,699,841)
Financial charges	(128,374)	(128,514)
Net Cash used in Operating Activities (A)	(37,132,627)	(86,218,470)
<b>Cash Flow from Investment Activities</b>		
Sales of fixed assets	11,799,000	4,005,275
Income from investments	58,123,595	95,311,938
Sundry sales & receipts	121,250	70,506
Acquisition of Fixed Assets	--	(807,000)
Net cash in flow from investing activities (B)	70,043,845	98,580,719
<b>Cash Flow from Financing Activities</b>		
Dividend Paid	(29,319,851)	(38,830,474)
Short term investments (Shares)	(267,195,835)	--
Net cash used in financing activities (C)	(296,515,686)	(38,830,474)
Net (decrease)in cash and cash equivalents (A+B+C)	(263,604,468)	(26,468,225)
Cash and cash equivalents at the beginning of the year	330,742,578	357,210,803
Cash and cash equivalents at the end of the year	67,138,110	330,742,578
<b>Movement in Working Capital</b>		
<b>(Increase) / Decrease in Current Assets</b>		
Stores and Spares	(31,724)	(430,682)
Stock-in-trade	15,722,795	(44,970,343)
Trade Debts	(27,605,693)	4,215,054
Loans, Advances, Deposits, Prepayments and Other Receivables (including advance payment of income tax)	2,353,391	(727,558)
	(9,561,231)	(41,913,529)
<b>Increase/(Decrease) in Current Liabilities</b>		
Creditors, Accrued and Other Liabilities (excluding Provision for Government Levies)	(17,903,992)	(9,747,272)
<b>Net (Decrease) in Working Capital</b>	(27,465,223)	(51,660,801)
<b>Cash and Cash Equivalents</b>		
Cash and cash equivalent included in the cash flow statement comprise of the following balance sheet amounts		
Cash in hand and balance with banks	1,317,629	4,722,827
Short term deposits with bank	65,820,481	326,019,751
<b>Cash and cash equivalents</b>	67,138,110	330,742,578



## **Notes to the Accounts for the year ended September 30, 1999**

### **1. Principle accounting Policies:**

#### **1.1 Overall valuation policy**

As in previous years, the accounts are prepared in accordance with the historical cost convention without any adjustments for the effect of inflation or current values. The following is a summary of important accounting policies used by the Company.

#### **1.2 Fixed assets**

##### **COST**

These are stated at historical cost.

##### **PROVISION FOR DEPRECIATION**

Except for Capital work in progress on which no depreciation is provided and leasehold land which is amortised on straight line basis at 1 per cent of the original cost, depreciation is provided on the diminishing balance method at the following rates:

Building on leasehold land	10%
Plant and Machinery	10%
Furniture & Fixture	10%
Office Equipments	15%
Vehicles	25%

Acquisitions during the year are depreciated for the full year irrespective of the date of purchase and no depreciation is charged on assets in the year of their disposal.

Minor renewals or replacements and maintenance and repairs are expensed. Major renewals and betterments are capitalised. Gains and losses on deleted assets are reflected in current income.

#### **1.3 Long term investments**

Except for the investment in Karanaphuli Paper Mills Limited which is stated at nominal value, all other investments are stated at cost.

Income from these investments and those on deposits with banks is credited to revenue in the year in which it is received.

#### **1.4 Stores and spares**

These are valued at average cost.

#### **1.5 Stock in trade**

Stock of raw materials and work in process are valued at average cost. Inventories of finished goods are stated at the lower of average cost and net realizable value.

#### **1.6 Taxation**

Taxation is provided at current rates on the basis of Profits reflected in the Profit and Loss Account adjusted for fiscal purposes.

The Company has fully accounted for deferred tax in respect of timing differences arising from depreciation allowances on fixed assets using the liability method.

#### **1.7 Gratuity**

Full provision is made for liability for gratuity payable to employees as per agreement with the Collective Bargaining Agent.

#### **1.8 Commitments and Contingencies**

Capital commitments and contingencies will be recognized only when they become due.

**1.9 Revenue recognition**

Sales are recorded on despatch of goods to customers.

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>

**2. Issued, Subscribed & Paid-up Capital**

1,805,602 (1998: 1,805,602) Ordinary Shares of Rs. 10/- each fully paid in Cash	18,056,020	18,056,020
398,400 Ordinary Shares of Rs. 10/- each issued to PICIC as per Loan Agreement	3,984,000	3,984,000
5,219,600 Ordinary Shares of Rs. 10/- each issued as fully paid Bonus Shares	52,196,000	52,196,000
	-----	-----
	74,236,020	74,236,020

**3. Revenue Reserves:**

General Reserve		
At beginning of the year	142,000,000	142,000,000

	=====	=====
--	-------	-------

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>

**4. Capital Reserve - Share Premium**

At beginning of the year	32,705,746	32,705,746
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**5. Deferred Liabilities****(i) Gratuity**

Opening Balance	24,104,773	25,864,634
Provided during the year	--	81,942
	-----	-----
Total	24,104,773	25,946,576
Paid during the year	(296,254)	(1,841,803)
	-----	-----
	23,808,519	24,104,773

	=====	=====
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**(ii) Deferred Taxation**

Opening Balance	34,950,000	34,950,000
Transferred to Profit & Loss A/c	(8,600,000)	--
	-----	-----
	26,350,000	34,950,000

	=====	=====
--	-------	-------

**6. Creditors, Accrued and Other Liabilities**

Deposits (Note 6.1)	529,837	529,837
Creditors	4,180,549	6,491,739
Provision for Government Levies	26,835,541	27,547,200
Accrued Wages, Salaries & Bonus	10,385,544	16,954,253
Accrued Expenses	44,697,670	50,029,348
Advances from Customers	--	40

Profit Participation Fund	(Note 6.2)	--	3,357,823
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Provision for Workers' Welfare Fund	2,534,462	2,534,462
Others	284,483	619,035
	-----	-----
	89,448,086	108,063,737
	=====	=====

6.1 All deposits are re-payable on demand and no interest is payable thereon.

#### 6.2 Profit Participation Fund

At beginning of the year	3,357,823	1,726,683
Allocation for the year	--	3,357,823
	-----	-----
	3,357,823	5,084,506
Paid during the year	(3,357,823)	(1,726,683)
	-----	-----
	--	3,357,823
	=====	=====

1999	1998
Rs. in Lacs	Rs. in Lacs

#### 7. Contingent Liabilities and Commitments

Contingent Liabilities outstanding in respect of:

Guarantees and Counter-Guarantees	72.53	72.53
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#### 8. Fixed Assets - Operating Assets

Particulars	C O S T			D E P R E C I A T I O N				A c c u m u l a t e d	
	As at September 30, 1998	Additions during the Year	Deleted/ Sold during the year	As at September 30,1999	As at September 30, 1998	Provided during the Year	On Sale / deletion	Depreciation upto September 301,999	Book Value As at September 301,999
Land (Lease Hold)	673,150	--	--	673,150	296,053	6,732	--	302,785	370,365
Building on Lease Hold Land	28,758,713	--	--	28,758,713	23,057,405	570,131	--	23,627,536	5,131,177
Plant & Machinery	361,949,123	--	(43,274,123)	318,675,000	246,406,001	11,111,555	(38,846,555)	218,671,001	100,003,999
Furniture & Fixtures	950,060	--	(314,837)	635,223	875,810	6,105	(301,633)	580,282	54,941
Office Equipment	945,774	--	--	945,774	933,916	1,779	--	935,695	10,079
Vehicles	2,672,176	--	--	2,672,176	1,870,394	200,446	--	2,070,840	601,336
	-----	-----	-----	-----	-----	-----	-----	-----	-----
TOTAL Rupees	395,948,996	--	(43,588,960)	352,360,036	273,439,579	11,896,748	(39,148,188)	246,188,139	106,171,897
	=====	=====	=====	=====	=====	=====	=====	=====	=====
1998 Rupees	416,094,075	807,000	(20,952,079)	395,948,996	278,951,648	13,755,939	(19,268,008)	273,439,579	122,509,417
	=====	=====	=====	=====	=====	=====	=====	=====	=====

#### 8.1 DETAILS OF THE FIXED ASSETS DELETED / SOLD DURING THE YEAR ENDED SEPTEMBER 30, 1999

S.No.	Particulars	Original Cost	Accumulated Depreciation	Written Down Value	Sales Proceeds	Profit / (Loss)	Mode of Sale Sold To
(1)	Machinery (Looms)	8,333,165	7,216,132	1,117,033	4,170,000	3,052,967	M/s. Shakil A By Negotiation
(2)	Machinery (Looms)	1,046,056	1,011,934	34,122	660,000	625,878	M/s. Malik S -DO-
(3)	Machinery (Looms)	1,072,374	999,571	72,803	555,000	482,197	M/s. Chaudry -DO-
(4)	Machinery (Looms)	1,541,606	1,210,178	331,428	645,000	313,572	M/s. Muham -DO-
(5)	Obsolete/Scrapped Ring & Drawing Machinery	10,783,231	10,116,860	666,371	1,760,000	1,093,629	M/s. Asif Traders, Brohi Mohalla, Shershah Village, Karachi.
(6)	Obsolete/Scrapped Comber Machinery	9,856,695	8,738,568	1,118,127	1,589,000	470,873	M/s. Saeed & -DO-
(7)	Obsolete/Scrapped Ring & Simplex Machinery	3,059,800	2,796,495	263,305	545,000	281,695	M/s. N.P. Wa -DO-
(8)	Old/Scrapped Murata Machine	984,541	832,468	152,073	400,000	247,927	M/s. Anwar -DO-
(9)	Obsolete/Scrapped Murata Machine	1,200,746	1,070,059	130,687	410,000	279,313	M/s. Hamid -DO-

(10)	Waste Plant Machinery	3,035,077	2,766,076	269,001	500,000	230,999 M/s. M. Sae	-DO-
(11)	Obsolete/Scrapped Generators	898,874	840,234	58,640	220,000	161,360 M/s. Abdul R	-DO-
(12)	Old burnt transformers etc.	120,000	110,860	9,140	35,000	25,860 M/s. M. Sae	-DO-
(13)	'Obsolete/Scrapped Diesel Engine	1,087,310	905,977	181,333	250,000	68,667 M/s. Raja Bro	-D@-
(14)	Pirn Winder Machines	159,648	145,498	14,150	25,000	10,850 M/s. Burewal	-DO-
(15)	Obsolete/scrapped Machines	95,000	85,645	9,355	11,000	1,645 M/s. Chaudry Nadeem, Shershah Village, Karachi.	
(16)	Scrapped/broken Furniture & Fixtures	136,486	128,170	8,316	12,000	3,684 M/s. Shamsh	-DO-
(17)	Scrapped/broken Furniture & Fixtures	55,903	52,377	3,526	8,000	4,474 M/s. Akhtar	-DO-
(18)	Scrapped/broken Furniture & Fixtures	122,448	121,086	1,362	4,000	2,638 M/s. M. Sae	-DO-
	<b>TOTAL</b>	<b>43,588,960</b>	<b>39,148,188</b>	<b>4,440,772</b>	<b>11,799,000</b>	<b>7,358,228</b>	

**1999**      **1998**  
**Rupees**      **Rupees**

**9. Long Term Investments:****Quoted**

Dawood Hercules Chemicals Ltd.

(Associated Undertaking)

2,585,472 (1998:2,154,560)

Ordinary Shares of Rs. 10/- each

(Market-value Rs. 237,604,877/=)

8,979,080      8,979,080

Sui Southern Gas Company Ltd.

41,823 (1998: 38,021)

Ordinary Shares of Rs. 10/= each

(Market Value Rs. 409,865/=).

698,313      698,313

**Unquoted**

Karnaphuli Paper Mills Ltd.

(488,000 Ordinary Shares of Rs. 10/- each)

1      1

Asian Co-operative Society Ltd.

(Associated Undertaking

(400 fully paid Ordinary Shares of

Rs. 10/- each

4,000      4,000

9,681,394      9,681,394

**10. Stores & Spares:**

Stores

932,066      1,236,441

Spares

3,166,048      2,829,949

4,098,114      4,066,390

**11. Stock in trade:**

Raw materials in hand

4,544,835      13,276,710

Work in Process

--      1,875,582

Finished Goods

47,384,713      52,500,051

51,929,548      67,652,343

**12. Trade Debtors:**

Trade Debtors (unsecured)

34,672,679      7,109,974

Less: Provision for Doubtful Debts

(1,923,965)      (1,966,953)

Considered Good

32,748,714      5,143,021

Trade Debtors (considered good) include amounts due from associated undertakings of Rs. 18,174,628 (1998 Rs. NIL). The maximum aggregate amount due from them at the end of any month during the year was Rs. 33,208,299 (1998. Rs. 333,900).

	<i>1999</i>	<i>1998</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>13. Loans, Advances, Deposits, Prepayments, and Other Receivables (Unsecured):</b>		
Loans and Advances due from employees (considered good)	9,900	97,450
Advances to Suppliers (considered good)	261,050	189,872
Advances to others (considered good)	39,058	58,058
Security Deposits and Prepayments	74,004	25,624
Excise Duty / Sales tax Deposits	985,816	3,352,215
	-----	-----
	1,369,828	3,723,219

13.1 The Maximum amount due from associated undertaking at the end of any month during the year was Rs. Nil (1998 Rs. Nil).

#### 14. Short Term Investments (at cost)

Engro Chemicals Pakistan Ltd. 4,193,680 (1998: Nil) ordinary shares of Rs. 10/- each (market value Rs. 344,301,128)	267,195,835	--
200,000 Units of National Investment Trust (Units) Ltd. (1998: 200,000)	2,440,000	2,440,000
Foreign Exchange Bearer Certificates	5,450,000	5,450,000
	-----	-----
	275,085,835	7,890,000

#### 15. Cash and Bank Balances:

In Hand	127,648	103,887
Cash In Transit	373,928	48,341
At Bank in Current Accounts	816,053	4,570,599
At Bank in Deposit Accounts	65,820,481	326,019,751
	-----	-----
	67,138,110	330,742,578

#### 16. Net Sales and Operating Revenue:

GOODS		
Local	88,733,603	83,165,954
Sales Tax	11,472,693	9,250,663
Brokerage and Discount	113,516	227,951
	-----	-----
	(11,586,209)	(9,478,614)
	-----	-----
NET SALES	77,147,394	73,687,340

#### 17. Cost of Goods Sold:

##### RAW MATERIALS:

Opening Inventory	13,276,710	5,238,622
Purchases	33,557,793	73,427,814
	-----	-----
TOTAL	46,834,503	78,666,436
Less: Closing Inventory	(4,544,835)	(13,276,710)
	-----	-----
Raw Materials Consumed	<b>TOTAL</b>	42,289,668 65,389,726

**OTHERS COSTS:**

Wages Salaries etc.	6,570,208	10,802,448
Stores & Spares Consumed	2,050,649	6,242,661
Electricity, Gas & Water Consumed	15,267,315	26,330,314
Yarn Conversion Cost	481,902	163,509
Depreciation	11,896,748	13,755,939
Insurance	2,051,005	2,003,882
Repairs & Maintenance	304,440	1,070,277
Rent, Rates & Taxes	1,149,768	1,719,977
Worker's Welfare	94,215	208,913
Other Expenses	707,483	823,098

	82,863,401	128,510,744
Add: Opening Inventory in Process	1,875,582	231,638
Less: Closing Inventory in Process	--	(1,875,582)

**COST OF PRODUCTION**

	84,738,983	126,866,800
	-----	-----
Add: Opening Inventory of Finished Goods	52,500,051	17,211,740
Less: Closing Inventory of Finished Goods	(47,384,713)	(52,500,051)
	-----	-----
	89,854,321	91,578,489

**OPERATING EXPENSES****18. Administrative Expenses:**

Salaries, Bonus etc.	7,736,145	7,796,465
Printing & Stationery	150,262	216,699
Rent	338,084	321,109
Electricity	108,134	101,047
Conveyance and Travelling	84,399	111,067
Communications	367,978	519,326
Legal & Professional Charges (Note 18.1)	143,500	306,175
Fees & Subscription	308,382	188,815
Other Miscellaneous Expenses	271,475	157,015
	-----	-----
	9,508,359	9,717,718

18.1 Legal & Professional Charges includes, interalia, Auditors' Remuneration in respect of the auditors' services for Statutory Audit

	75,000	75,000
--	--------	--------

**19. Selling Expenses:**

Storage and Forwarding Charges	--	4,145
Terminal Tax and Transportation Cost	358,381	383,310
Advertisement	608	608
Others	8,780	540
	-----	-----
	367,769	388,603

**20. Financial Expenses:**

Bank Charges	128,374	128,514
	-----	-----
	128,374	128,514

**21. Non Operating Income**

**(i) Dividend Income**

Dawood Hercules Chemicals Ltd. (Quoted) (Associated undertakings)	19,606,496	26,393,360
Engro Chemicals Pakistan Ltd. (Quoted)	18,014,700	--
Dividend on NIT Units	154,000	400,000
	-----	-----
	37,775,196	26,793,360

**(ii) Profit/Interest Income:**

Profit/Interest on Call/Time/Security Deposits	20,256,109	68,426,288
Interest on Deposits with KESC/GAS Co	92,290	92,290
	-----	-----
Sundry Sales and Receipts	20,348,399	68,518,578
	121,250	70,506
	-----	-----
	58,244,845	95,382,444

**22. Other Charges:**

Profit Participation Fund	--	3,357,823
Workers' Welfare Fund	--	930,000
	-----	-----
	--	4,287,823

**23. Trading Results:**

The Profit and Loss Account includes the following operational results of goods purchased/sold.

Gross Sales	33,221,168	--
Less: Sales- tax	(4,333,196)	--
	-----	-----
Less · Cost of Sales	28,887,972	--
	(28,830,858)	--
	-----	-----
Profit	57,114	--

**24. Directors, Chief Executive's and Executives' Remuneration:**

The aggregate amount charges in the accounts for the year for payments to the Directors, Chief Executive and Executives of the Company were as follows:

Particulars	1999			1998		
	Directors	Chief Executive and Adviser to Chief Executive	Executives	Directors	Chief Executive	Executives
Remuneration	--	1,200,000	599,144	--	1,200,000	726,427

House Rent	--	540,000	251,364	--	540,000	309,380
Utilities (Water, Gas and Electricity Charges)	--	120,000	23,400	--	120,000	34,359
Conveyance Allowance	--	120,000	59,913	--	120,000	71,545
Others	--	--	41,988	--	--	76,680
Bonus	--	--	54,622	--	--	54,622
	-----	-----	-----	-----	-----	-----
Total:		1,980,000	1,030,431	--	1,980,000	1,273,013
	-----	-----	-----	-----	-----	-----
Number of persons	--	1	5	--	1	6
	=====	=====	=====	=====	=====	=====

**25. Transaction with Associated undertaking.**

The Company purchased from and sold to associated undertakings goods, materials and services in the aggregate sum of Rs. 2,550,149 (1998: Rs. 2,683,162) and Rs. 33,320,168 (1998 :Rs. 393,300) respectively.

**26. Capacity and Actual Production:**

	1999		1998		
	UNIT	CAPACITY	ACTUAL	ACTUAL CAPACITY	
Cloth	Sq. Mtr.	7,649,000	--	7,649,000	--
Yarn Converted in 20s Kgs.		6,988,000	389,967	6,988,000	1,674,768
No. of Spindles installed/worked		53,724	4,848	53,724	11,100
No. of Shifts worked per day			Three		Three

The capacity figures are based on capacity assessed by the government under Excise Duty Capacity Rule 1968 and adjusted on the basis of 300 working days and number of actual spindles & looms installed. The reduction in production is attributed to unfavourable operating conditions.

**27. Earning per share**

Net Profit for the year	53,646,834	53,849,742
Average ordinary shares in issue during Sept. 30, 1999: 7,423,602 (1998 : 7,423,602)	=====	=====
Earning per share	7.23	7.25
	=====	=====

**28. General:**

29.1 Previous year is figures have been re-stated and re-arranged wherever necessary, for the purposes of comparison.

29.2 Figures have been rounded off to the nearest rupee.

**Ten Years at glance**

(Rupees in thousand)

PARTICULARS	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Paid up Capital	74,236	74,236	74,236	74,236	74,236	74,236	74,236	74,101	49,744	49,744
Reserves & Surplus	288,388	279,282	255,127	269,761	222,652	202,539	194,252	175,890	148,966	99,787
Share Holders Equity	362,624	353,518	329,363	343,996	296,888	276,775	268,488	249,991	198,710	149,531

Break up value



of Shares of Rs. 10/- each	48.85	47.62	44.37	46.34	39.99	37.28	36.17	33.74	39.95	30.06
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**SALES (NET)**

Export	--	--	--	--	--	2,022	1,579	141,137	68,151	73,774
Local	77,147	73,687	70,378	173,149	282,624	329,834	410,707	531,079	526,948	393,482

Profit before taxation	53,647	68,850	51,434	42,609	31,913	24,910	46,184	74,699	58,463	57,655
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Profit after taxation	53,647	53,850	35,084	42,609	20,113	15,710	36,584	54,099	42,063	41,655
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Earnings per share	7.23	7.25	4.73	5.74	2.71	2.12	4.93	7.29	5.67	5.61
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**Dividend**

Amount	44,542	29,694	33,406	18,559	--	7,424	18,559	44,542	12,436	32,334
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Percentage	60	40	45	25	--	10	25	60	25	65
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BONUS SHARES (%)	--	--	--	--	--	--	--	--	25	--
------------------	----	----	----	----	----	----	----	----	----	----

RIGHT SHARE (%)	--	--	--	--	--	--	--	--	25	--
-----------------	----	----	----	----	----	----	----	----	----	----